

41st ANNUAL REPORT

2012-13



Scooters India Limited

(A Government of India Enterprise)

An ISO 9001 Company



Contents	Page No.
Board of Directors	3
Directors' Report	4
Management Discussion & Analysis	5
Corporate Governance Report	15
Auditors' Report	24
Comments of C & AG u/s 619(4) of the Companies Act. 1956	33
Management Replies to the Auditors' Report	34
Balance Sheet	40
Profit & Loss Statement	41
Cash Flow Statement	42
Accounting Policies & Notes Annexed to and forming part of the accounts	44
Notice	75



SCOOTERS INDIA LTD.

Serving the Common man Since 1972



BOARD OF DIRECTORS

Functional Directors

Shri R.K. Singh, IAS	- Chairman & Managing Director (Additional Charge)	w.e.f. 15.05.2013
Shri Ajai Kumar	- Chairman-cum-Managing Director	w.e.f. 23.04.2008 to 13.04.2013
Shri Rahul Bali	- Director (Technical)	w.e.f. 02.04.2013
Shri P.P. Sarkar	- Director (Technical)	w.e.f. 16.05.2007 to 15.05.2012

GOI, Nominee Directors

Shri Harbhajan Singh, IAS	- GOI, Part time official Director	w.e.f. 13.09.2011
Shri S.K. Goyal	- GOI, Part time Non official Director	w.e.f. 17.05.2012

Statutory Auditor

S. Srivastava & Co.
Chartered Accountants
C/o Vijay Shankar Mathur
2/165, Vijay Khand, Gomti Nagar,
Lucknow-226010 (U.P.)

Cost Auditors

Shri R. N. Tripathi
C-121, Indira Nagar,
Faizabad Road,
Lucknow-226016.

Bankers

State Bank of India
Indian Overseas Bank

Delhi Sales & Liaison Office

64-65, Najafgarh Road
Industrial Area,
New Delhi-110015.

Registered Office & Works

Lucknow-Kanpur Road,
(16th Mile Stone),
Post Bag No. 23 (GPO),
(P.O.) Sarojini Nagar,
Lucknow-226008.

Registrar & Transfer Agent

Skyline Financial Services Pvt. Ltd.,
D-153/A, 1st Floor
Okhla Industrial Area, Phase-1
New Delhi-110020
Tel. : 011-26812682, 83 & 84
Fax : 011-26812681

INTERNAL AUDITORS

M/s Dhirendra Tripathi & Co., Chartered Accountants, C-121, Indira Nagar, Lucknow-226 016.	M/s B. Biswas & Co. Chartered Accountants, 67/2, East Kapte Para Road Nehru Market, Shyamnagar, 24, Pargannas (N) West Bengal-743127
M/s Jayaswal Associates, Chartered Accountants, A-160, IInd Floor, Vikas Marg, Shakarpur, Delhi-110 092.	M/s K.S. Ramakrishna & Co. Chartered Accountants, 285 & 286, 2 nd Floor, Chenoy Trade Centre, 'C' Block, Park Lane, Secunderabad-500 003.
M/s K.S. Karandikar & Co. Chartered Accountants, 6, Amit Complex, 474-B, Sadashiv Peth Opp. New English School Tilak Road, Pune-411030	

STOCK EXCHANGES

The Delhi Stock Exchange Association Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi - 110002	Bombay Stock Exchange Ltd., 1 st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001
---	---

**DIRECTORS' REPORT**

Dear Shareholders,

The Board of Directors of your Company is pleased to present the **41st Annual Report** on the business and operations of the Company together with the audited Balance Sheet and Profit and Loss Account and Auditors' Report thereon for the financial year ended 31st March, 2013.

1. PRODUCTION REVIEW :

The production performance for the year is shown below in physical terms :

Description	<u>2011-2012</u>	(Nos.) <u>2012-2013</u>
Three wheelers	17,512	15,807

2. SALES REVIEW :

The Sales performance for the year is shown below :

Description	<u>2011-2012</u>		<u>2012-2013</u>	
	Physical (in Nos.)	Financial (₹ in lakhs)	Physical (in Nos.)	Financial (₹ in lakhs)
Three Wheelers	17,584	20,655.36	15,837	19,020.74
Spares	-	654.37	-	546.27
Petrol, Diesel, Lubricants etc.	-	1,364.13	-	1,415.25
Other Sales	-	123.98	-	1.44
TOTAL	-	<u>22,797.84</u>	-	<u>20,983.70</u>

3. FINANCIAL REVIEW :

The salient features of the Company's financial results for the year under review are as follows:
(₹ in Lakhs)

Description	<u>2011-2012</u>	<u>2012-2013</u>
a) PBDIT	(319.12)	(281.43)
b) Profit before Interest, Depreciation & Exceptional items	(2.42)	(281.43)
c) Profit before Exceptional item	(1,677.29)	(600.06)
d) Profit/(Loss) for the year	(1,993.99)	(600.06)

During the year under report :

- (1) The loss before depreciation, interest & taxes have decreased by ₹ 37.69 lakhs.
- (2) The loss before depreciation, interest, taxes and exceptional items has increased by ₹ 279.01 lakhs.
- (3) The net loss before Exceptional items has decreased by ₹ 1,077.23 lakhs as compared to the corresponding previous year.
- (4) However, the net loss after exceptional items for the year has decreased by ₹ 1,393.93 lakhs as compared to the previous year.

4. CONTRIBUTION TO NATIONAL EXCHEQUER

The company has contributed a sum of ₹ 4,852.12 lakhs to the exchequer during the period under review vis-a-vis ₹ 4,837.65 lakhs during previous financial year.



5. EXPORTS

The company has achieved exports of ₹ 38.23 lakhs during the period under review.

6. EXPENDITURE ON ADVERTISEMENT AND PUBLICITY :

An expenditure of ₹ 10.12 lakhs was incurred on account of advertisement and publicity during the year.

7. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED FROM 01.04.2013 DATE :

No material change and commitment have been made by the company from 01.04.2013 to date that has adverse effect on the financial position. However it is pertinent to note that GOI has vide letter no. F. No. 3-33/2009 – PE VI dated 22.02.2013 conveyed that Cabinet has approved the revival package of ₹ 201.96 crores, which inter-alia includes the infusion of fresh funds, conversion of plan & non plan loan in to equity & waiver of interest and directed for taking necessary approval from BIFR. Since the Draft Rehabilitation Scheme (DRS) was under preparation by Operating Agency (SBI) and sanction by BIFR was likely to take some time, pending finalization of DRS & sanction by BIFR, SIL filed the Miscellaneous application for seeking necessary permission/appropriate directions for reliefs & concessions enabling conversion of loan in to equity/issue of shares/reduction of shares capital etc. without further approval of shareholders/Central Government/SEBI/Stock exchanges in terms of provisions of section 81(1A) of the Companies Act, 1956, listing agreement, Securities And Exchange Board Of India (Issue of Capital And Disclosure Requirements) Regulations, 2009 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011, restructuring of balance sheet and for release of funds for capital expenditure and working capital in line with the cabinet decision for revival of SIL. BIFR in its hearing dated June 19, 2013, allowed the Miscellaneous application of SIL and vide order dated 24.06.2013 issued necessary directions accepting the prayers of SIL. Accordingly SIL has given effect to BIFR order envisaging inter-alia restructuring in share capital & write off of interest on plan & non plan loan against accumulated losses etc. in the annual accounts for the year ended at 31st March, 2013. The Company has also received interest free working capital loan of ₹ 20 crores from GOI and is expecting release of ₹ 31.90 crores from GOI out of CAPEX of ₹ 70.38 Crores approved by GOI.

8. MANAGEMENT DISCUSSION AND ANALYSIS:

(A) Mission, Vision & Objective

Vision	To improve the performance of the company so as to be competitive and profitable through constantly improving existing products, adding new products and expanding customer base.
Mission	To fulfill customers' needs for economic and safe mode of road transport and quality engineering products through contemporary technologies.
Objective	<ul style="list-style-type: none"> □ To sustain production till finalization of revival plan. □ To achieve 2% decrease in cost. □ Induction of Manpower to fill the gap. □ To reduce energy input per unit of production.

(B) MARKET SCENARIO

- (i) The total number of 3-wheelers produced and sold in the domestic market by manufacturers in India during the year 2012-13 as against 2011-12 is given below :



<u>Category</u>		<u>Production (In Nos.)</u>	
<u>Segment/Sub-segment</u>	<u>Apr.11 - Mar.12</u>		<u>Apr.12 - Mar.13</u>
Passenger Carrier	768,687		740,689
Goods Carrier	110,602		99,053
Total :	879,289		839,742
		<u>Domestic Sales (In Nos.)</u>	
Passenger Carrier	406,260		441,118
Goods Carrier	107,021		97,173
Total :	513,281		538,291

Note : Sales excluding Export of 361,753 Nos. in 2011-12 and 303,088 Nos. in 2012-13.

Source-SIAM

Scooters India Limited has been a pioneer in bringing out various models of 3-wheelers running on Diesel, Electric, LPG and CNG for application as both passengers and load carrier versions. Company has played an important role in popularization of 3-wheelers of larger capacity in the country. With focused efforts and approach, SIL has achieved sales of 15836 nos. in 2012-13. By achieving these sales, SIL has utilized 95.97% of their capacity. This has also resulted in decreasing the SIL market share from 3.43% in 2011-12 to 2.94% in 2012-13.

The company continues to be the leader in larger capacity of vehicles i.e. passenger carrier (6+1) segment and goods carrier exceeding 1 ton of vehicles. The market share of company is 70.02% in 2011-12 (SIL sales 5,697 nos. out of 8136 nos.)

(ii) 3-Wheeler growth drivers in future are as under :

- Rapid development of infrastructure and focus of both Central as well as State Govt. on infrastructure mainly on roads, the demand of 3-wheeler may see an upward trend in coming years. The demand driver for 3-wheeler are its affordability as an economical viable transport solution. However, the demand for 3-wheeler passenger carrier depends on the availability of permits issued by Local RTOs.
- Increased demand from semi-urban & rural areas for 3-wheelers because of its high product manoeuvrability and drivability.
- Suitability of 3-wheelers for congested Indian roads and tropical conditions.
- Self employment opportunity for a large no of youths especially with the Govt. focus on various schemes for the unemployed youth.
- 3-wheeler of smaller capacity are in great demand in load carrier segment because of increase in organised retail marketing across the country which requires faster and economical transportation.
- 3-wheeler is a low cost transport solution to daily commuting passenger. Hence the market for 3-wheelers shall continue to be there because of higher cost of transportation in other modes of transport like taxi, contract carriages, buses etc.
- 3-wheelers are also better earning opportunity for unemployed youth. With a minimum expenditure i.e. ₹ 45,000 – ₹ 50,000 (margin money), one can start earning ₹ 300 – ₹ 400 per day right from the day one of purchasing a new 3-wheeler.

(C) Resources and Liquidity :

In view of the continuing cash losses, the company's liquidity position was under strain.

**(D) Quality :**

Your company is an ISO 9001 : 2000 company. The company has taken several initiatives including manufacturing of no problem vehicle and up-gradation of its products to ensure that the best quality products are made available to its customers. Vehicle reliability has improved significantly which has generated goodwill leading to better sales.

(E) Opportunities & Threats :**E.1. Opportunities :**

- Growing automobile sector including three-wheelers.
- Untapped markets-Rural, South, West & Exports
- Developing hub and spoke transportation model.
- Increasing allocation of funds for poverty alleviation under various Govt. Schemes like PMRY, SC/ST, NREGA etc.
- Rapidly growing awareness about vehicular pollution leading to policy formulation for increase use of alternate fuel vehicles.
- Options for technology infusion.
- Rapidly growing network for CNG/LPG supply.

E.2 Threats :

- Increase in product substitution effect by rapidly growing 4 Wheel Small Commercial Vehicle.
- Increased competition both from organized and unorganized players.
- Strict enforcement of the pollution norms and Passenger Vehicle permits.
- Increased customer expectations.
- Rising interest and fuel cost could dampen demand for company's products.
- Volatility in Raw Materials prices/input and difficulty in passing on cost increase.

(F) Future Outlook :**i) Challenges faced by the Company :**

- The need for consistency in quality demands for enhanced investment in R & D and upgradation of plant & machinery. Existing over-lived plant & machinery is a cause of concern.
- Manpower cost in the company is still high and so is the average age profile of the employees. While your company needs to reduce its manpower cost at the same time it also needs to infuse fresh blood.
- Retention of young officers who joined in the last couple of years is difficult as private/ other PSUs are offering substantially higher remuneration. Young executives are regularly leaving for greener pastures.
- Though 3-Wheeler as an industry continue to grow but increase in competition and availability of 4-Wheelers in 1.0 ton and sub 1.0 ton category is expected to aggravate the extremely competitive scenario and impact the volumes & margins.
- Strict regulatory laws concerning pollution and their strict implementation by banning sale of diesel vehicles in certain states shall act as deterrent for company growth.
- SIL has lesser presence in small 3-wheeler segment which has strong market preference. In this segment contribution is lower and competition is higher as established players viz. Piaggio, Mahindra etc. dominate the market.

**(ii) Strategic Road Map :**

Although there has been negative growth in three wheeler segment of Auto sector in India, the performance of your company has improved considerably in comparison to the previous year. Monthly production of vehicles has shown significant improvement with highest ever production achieved during March 2012. Your company is evaluating various new product development options to cater to various market segments with a view to higher production and sales.

(iii) Status Before BIFR

On 18th February, 2010, BIFR has declared the Company as sick industrial company in terms of the provisions of section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) on reference being made after full erosion of the Networth of the Company, as per annual accounts for the year ended at 31st March, 2009. Last meeting of BIFR was held on 19th June, 2013, wherein BIFR approved the miscellaneous application filed by the Company for seeking necessary permission/appropriate directions for reliefs & concessions enabling issue of shares, restructuring of balance sheet and for release of funds for capital expenditure and working capital in line with the cabinet decision for revival of SIL. Draft rehabilitation scheme (DRS) shall be submitted by State Bank of India (Operating Agency) shortly for approval by BIFR.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your company is ISO 9001: 2000 certified which focuses on quality management system.

Information in accordance with provision of Section 217(1)(e) of the Companies Act, 1956 regarding the conservation of energy, technology absorption and foreign exchange earnings and outflow are given in **Annexure-I, I-A and I-B** to this report.

10. PARTICULARS OF EMPLOYEES:

Information under Sec. 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 be treated as NIL as none of the employee of the company is getting salary more than the prescribed limit.

11. INDUSTRIAL RELATIONS:

During the year under review the industrial relations in the Company improved with the cabinet approval inter-alia for enhancement of the superannuation age from 58 years to 60 years in relaxation of DPE Guidelines. The implementation of 2002 negotiated pay scales for workmen, who are on the rolls of SIL as on 01.04.2013, reduced the discontentment amongst workmen and improved the morale.

12. VIGILANCE:

Vigilance Group continues to function with particular emphasis on the aspects of preventive and corrective vigilance. Strict vigil was exercised over various activities as part of Preventive Vigilance measures and suggestions were made to Management for system improvement. Company also observed Vigilance Awareness Week from October 29, 2012 to November 03, 2013.

13. HUMAN RESOURCE DEVELOPMENT:

Employees of the Company are the most important constituent and Company understands that without their motivation and development Company can not progress. The Company has been analyzing developmental needs in technical and managerial areas and provides requisite training and exposure to the employees at all levels in the area on Professional Excellence through Motivation, Advance Engine Combustion & Diagnostics, Competence Building for Effective Management, Healthcare Services, Part Programming for CNC Machines, Leadership Strategies for Building Excellence, Quest for Excellence Imperatives for India PSUs, Health, Safety, Environment Protection through Legal Reforms & technological Innovations, Building & Leading



Effective Teams, Safety Engineering & Management, Value Based Management, Legal framework for Cost Audit Compliances, Cost Accounting Record Rules 2011 & Cost Audit Report Rules 2011, Finance for Non-finance Executives, International Commercial Practices, Energy Conservation, House Keeping etc.

14. HINDI IMPLEMENTATION:

Official Language Implementation Committee monitors and reviews the progress of implementation of the Annual Programme issued by Department of Official Language, Ministry of Home Affairs, Government of India. Hindi Divas is commemorated every year by observing official language week in the month of September. Various competitions are organized for employees and winners are felicitated on Republic Day.

15. RESERVATION FOR SCHEDULED CASTES & SCHEDULED TRIBE:

As on 31.03.2013 the total strength of the company is 612. Out of these, 143 employees belong to Scheduled Castes and 01 employee to Scheduled Tribe.

16. DIRECTORS:

The tenure of Shri Ajai Kumar as Chairman cum Managing Director of the Company came to an end w.e.f. 13.04.2013. Shri R K Singh, Jt. Secretary, Department of Heavy Industries, Ministry of Heavy Industries & Public Enterprises, Government of India has been given Additional charge as Chairman & Managing Director w.e.f. 15.05.2013. Tenure of Shri P P Sarkar, Director (Technical) came to an end on 15.05.2012 and Shri Rahul Bali has been appointed as Director (Technical) w.e.f. 02.04.2013. The Company has taken up the matter with Ministry for filling up the vacant positions of Independent Directors as well as Director (Finance) on the Board.

The Board records the appreciation for contribution made by aforesaid Directors during his association with the Company.

17. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a) That in the preparation of the accounts for the financial year ended 31st March 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the Directors have prepared the accounts for the financial year ended 31st March 2013 on a 'going concern' basis.

18. ADEQUACY OF INTERNAL CONTROL:

The Company has proper and adequate system of internal controls to ensure that all activities are monitored and controlled against any unauthorized use of disposal of assets, and that the transactions are authorized, recorded and reported correctly.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.



19. FIXED DEPOSITS:

The Company has not accepted any deposits under Companies (Acceptance of Deposit) Rules, 1975 during the year.

20. STATUS OF REPAYMENT OF LOAN FROM GOI

In terms of Cabinet approval the existing term Plan & non plan Loan as of 31st March, 2012 of ₹ 85.21 crores (Plan loan - ₹ 1.93 Crores & non plan – 83.28 Crores) of has been converted into equity share capital of ₹ 85.21 crores by issue of 8.52 crores equity share of ₹ 10 each at par and further the Equity Share Capital of the Company has been reduced by ₹ 85.21 crores by cancellation of aforesaid ₹ 85.21 crores equity share capital held by the Government of India in terms of BIFR order dated 24.06.2013. The existing Interest Accrued as on 31 March, 2012 amounting to ₹ 2,637.60 Lacs on GOI loan (Plan loan of ₹ 193 lacs & Non plan loan of ₹ 8328 lacs) has been written off against accumulated losses and no further interest has been provided for on the aforesaid loan from 31st March, 2012 onwards. No provision of interest on Non Plan Loan of ₹ 189 lacs released during the financial year 2012-13 has been made.

21. AUDITORS' REPORT:

M/s S. Srivastava & Co., Chartered Accountants have been appointed by the Comptroller and Auditor General of India, as Statutory Auditors of the Company for the year 2012-13. The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March 2013 alongwith Management replies are enclosed at **Annexure – III**.

The Accounts of the company were submitted to the Comptroller & Auditor General of India for their report under Section 619(4) of the Companies Act 1956 and their report is appended as **Annexure-IV**.

22. COST AUDITOR:

Shri R.N. Tripathi, Cost Accountant, Lucknow has been appointed as Cost Auditor of the Company by the Govt. of India, Ministry of Corporate Affairs, for auditing cost records relating to manufacture of Motor Vehicles for the financial year ending 31st March 2013.

23. CORPORATE GOVERNANCE:

A Certificate from M/s S Srivastava & Co, Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement along with the report on Corporate Governance is attached as **Annexure – II** to this report.

24. ACKNOWLEDGEMENT:

The Board of Directors would like to express their grateful appreciation for the sincere support and co-operation extended by its Bankers, Financial Institutions, Dealers and Suppliers. The Directors would also like to express their sincere thanks for the co-operation and advice received from Govt. of India, particularly, Deptt. Of Heavy Industry and Public Enterprises, BIFR, BRPSE, the State Govt. and the local authorities for their continued support, co-operation and guidance.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of employees and are deeply grateful to the shareholders for reposing the confidence and faith in us.

For and on behalf of the Board

R K Singh
Chairman & Managing Director

Place : New Delhi

Date : August 23, 2013